

Message Text

UNCLASSIFIED

PAGE 01 CAIRO 05239 01 OF 05 161801Z

47

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 SSO-00

INRE-00 NSCE-00 AGR-20 CU-05 SCI-06 HEW-08 NEAE-00

AID-20 COME-00 EB-11 FRB-03 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DRC-01 IO-14 STR-08 CEA-02 SAM-01

SEC-03 IGA-02 ACDA-19 FEAE-00 INT-08 SAB-01 /238 W

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O R 161700Z JUL 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7798

USIA WASHDC NIACT IMMEDIATE

SEC TREASURY WASHDC NIACT IMMEDIATE

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEL AVIV

AMCONSUL JERUSALEM

UNCLAS CAIRO SECTION 1 OF 5 CAIRO 5239

FOR SEC TREASURY: PASS TO ALAN WADE

E.O. 11652: N/A

TAGS: OVIP (SIMON, SECRETARY)

SUBJECT: SIMON-HEGAZI CAIRO PRESS CONFERENCE JULY 16

FOLLOWING ARE REMARKS FROM THE SIMON-HEGAZI PRESS BRIEFING
IN PRIME MINISTER HEGAZI'S OFFICE ON JULY 16, 1974:

HEGAZI - WELL IT GIVES ME GREAT PLEASURE TO HAVE THIS
OPPORTUNITY, FIRST TO THANK SECRETARY SIMON AND HIS
COLLEAGUES IN THE DELEGATION FOR THE MOST CONSTRUCTIVE WORK
WE HAVE ALREADY DONE THROUGH THESE FEW DAYS, AND THE FEW
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PAGE 02 CAIRO 05239 01 OF 05 161801Z

HOURS WE HAVE PASSED TOGETHER. THE DISCUSSIONS WERE VERY

SINCERE -- TO FOSTER THE RELATION AND CONSOLIDATE EFFORTS BETWEEN THE TWO COUNTRIES ON THE WAY OF PROGRESS AND PEACE. I THINK IT WOULD BE QUITE OPPORTUNE TO HEAR SECRETARY SIMON'S SUMMING UP OF THE RESULTS WE HAVE ALREADY ACHIEVED AS A FIRST STEP ON THE WAY TO THE JOINT COMMITTEE MEETING WHICH IS GOING TO BE HELD IN WASHINGTON IN AUGUST.

SIMON - THANK YOU MR. PRIME MINISTER. THE PRIME MINISTER AND I HAVE JUST EXCHANGED DOCUMENTS WHICH ACTIVATE THE INVESTMENT GUARANTEE AGREEMENT IN ORDER THAT THE U.S. OVERSEAS PRIVATE INVESTMENT CORPORATION, KNOWN AS OPIC., MAY ENSURE NEW U.S. PRIVATE INVESTMENTS IN THIS COUNTRY. THIS STEP WAS MADE POSSIBLE BY THE DECISION THAT WAS ANNOUNCED EARLIER THIS WEEK TO ESTABLISH A JOINT COMMISSION TO SEEK SETTLEMENT OF U.S. PRIVATE CLAIMS AGAINST THE GOVERNMENT, WHICH WE HAVE DISCUSSED BEFORE. NOW PURSUANT TO THE PRINCIPLES AGREED TO BY PRESIDENT NIXON AND PRESIDENT SADAT OF OUR COUNTRIES, IN PREPARATION FOR THE MEETING NEXT MONTH OF THE JOINT COMMISSION IN WASHINGTON, BETWEEN THE UNITED STATES AND EGYPT, WE HAVE AGREED TO THE STRUCTURE OF A CONTINUING MECHANISM FOR ALL OF THE AREAS OF CO-OPERATION TO FACILITATE GROWING COOPERATION BETWEEN OUR TWO COUNTRIES. WE HAVE AGREED TO FORM SENIOR WORKING GROUPS ON ECONOMIC DEVELOPMENT AND INVESTMENT AND THIS IS IN ADDITION TO THE ALREADY FORMED GROUPS ON SCIENTIFIC AND TECHNOLOGICAL COOPERATION, ON MEDICAL COOPERATION, AND ON CULTURAL EXCHANGE. THIS SENIOR WORKING GROUP ON ECONOMIC COOPERATION AND INVESTMENT INCLUDES FIVE MAJOR AREAS OF INVESTMENT, DOMESTIC DEVELOPMENT AND INDUSTRIALIZATION, FOREIGN TRADE, AGRICULTURE AND SUEZ CANAL RECONSTRUCTION AND DEVELOPMENT. NOW, THERE WERE MANY DEFINITIVES DISCUSSED ON WAYS THE UNITED STATES AND EGYPT CAN WORK TOGETHER IN MANY BROAD AREAS, HOW THE UNITED STATES CAN ASSIST EGYPT IN HER INDUSTRIALIZATION AND IN HER DESIRE TO STRENGTHEN THE FIBERS OF THE ECONOMY AND FINANCIAL SYSTEM, WHICH OF COURSE WAS THE PURPOSE OF THIS PRELIMINARY VISIT. AS I TOLD YOU AT THE OUTSET, WE CAME OVER TO MAKE SOME DEFINITIVE SUGGESTIONS, BUT MOST IMPORTANTLY WE CAME

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PAGE 03 CAIRO 05239 01 OF 05 161801Z

TO LISTEN AND TO LEARN AND TO ASK MANY QUESTIONS ABOUT MANY OF THE FACTS AND FIGURES THAT WE REQUIRE BEFORE WE CAN GET ON WITH THE DETAILED WORK THAT MUST BE DONE IN THE MONTHS AHEAD. IN THE AREA OF ASSISTANCE, AS YOU KNOW, THERE ARE BASICALLY TWO MAJOR WAYS THAT A COUNTRY CAN ASSIST ANOTHER COUNTRY. ONE IS IN THE HARD DOLLAR AREA, IF YOU WILL. IN THAT AREA WE DISCUSSED THE APPROPRIATION THAT WE SENT TO CONGRESS FOR \$250 MILLION IN FY 1975. WE

DISCUSSED AN EXPANDED PL-480 PROGRAM FOR THE BASIC COMMODITY NEEDS AND THIS IS IN ADDITION TO THE \$250 MILLION APPROPRIATION. WE DISCUSSED, I MIGHT ADD, THE MORE DIVERSE (GARBLED) SECOND THE \$250 MILLION, \$170 MILLION OF THIS IS TO BE USED FOR THE SUEZ RECONSTRUCTION AND DEVELOPMENT. THE OTHER WILL BE THE AREA OF COMMODITIES INCLUDING INTERNATIONALLY FREIGHTED RAW MATERIALS BUT NOT THE COMMODITIES THAT ARE INCLUDED IN THE PL-480 AGREEMENT. THIS IS NOT TO BE CONFUSED. WE TALKED OF WAYS THAT WE CAN WORK WITH THE EXPORT-IMPORT BANK ENCOURAGING THE LOANS AND CREDITS TO THIS COUNTRY. ALSO OUR CONTRIBUTIONS TO THE INTERNATIONAL FINANCIAL INSTITUTIONS, THE IMF AND THE WORLD BANK. NOW THE OTHER SIDE OF ASSISTANCE IS OF A TECHNICAL NATURE. THE EXPERTISE, FINANCIAL AND ECONOMIC, THAT THE UNITED STATES CAN OFFER THRU TAX ADMINISTRATION, THRU DEBT MANAGEMENT, DEBT STRUCTURING AND MANY OTHER FORMS THRU OUR DEPARTMENT OF COMMERCE, STATE AND MANY TECHNICAL AGENCIES. WITH THAT, I'VE SORT OF GIVEN YOU A BROAD BRUSH OF THE CONVERSATION THAT WERE HELD WHILE WE WERE HERE, AND MR. PRIME MINISTER I WOULD LIKE TO TURN IT BACK TO YOU.

HEGAZI: WE HAVE DISCUSSED A VERY LARGE SCOPE OF SUBJECT, STARTING FROM THE PROMOTION OF PRIVATE INVESTMENT, JOINT VENTURES -- WE HAVE ALREADY A NUMBER OF APPLICATIONS FOR BANKS TO WORK, IN THE FREE ZONES, AND IN HARD CURRENCY AS WELL AS IN THE LOCAL MARKET. ON THE PRIVATE INVESTMENT SIDE, WE ALREADY HAVE HAD QUITE A NUMBER OF DISCUSSIONS CONCERNING PROJECTS, ON THE TOP OF THE LIST IS PETRO-CHEMICALS AND AGRO-INDUSTRIAL PROJECTS, SIDE BY SIDE WITH MARITIME TRANSPORT ACTIVITIES. ALSO THERE ARE DISCUSSIONS

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PAGE 04 CAIRO 05239 01 OF 05 161801Z

CONCERNING INVESTMENT IN TOURISM. WE HAVE A GOOD NUMBER OF APPLICATIONS FOR THAT AND WE ARE TRYING TO DO OUR BEST

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PAGE 01 CAIRO 05239 02 OF 05 161815Z

47

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

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O R 161700Z JIL 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7799

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SEC TREASURY WASHDC NIACT IMMEDIATE

INFO AMEMBASSY BEIUT

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UNCLAS SECTION 2 OF 5 CAIRO 5239

FOR SEC TREASURY: PASS TO ALAN WADE

ON BOTH SIDES TO BRING ABOUT A CLIMATE OF CONFIDENCE
AND COOPERATION SO AS TO FIND OUT WHAT ARE THE PROJECTS
IN EGYPT WHICH COULD BE PUT UNDER OBSERVATION AND FOR
AMERICAN INVESTORS TO TAKE PART IN. TODAY I AM GLAD TO
SAY THAT WE HAVE ALREADY ACCEPTED TO GIVE PERMITS TO FOUR
MAJOR U.S. BANKS: THE CHASE MANHATTAN, THE FIRST NATIONAL
CITY BANK OF NEW YORK, THE
AMERICAN EXPRESS AND THE BANK
OF AMERICA. WE GAVE THIS DECISION TODAY BECAUSE WE FIND
IT SO IMPORTANT FOR FINANCIAL CIRCLES IN THE UNITED STATES
AND EGYPT TO FIND WAYS AND MEANS TO IMPLEMENT THE FEASIBILITY
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PAGE 02 CAIRO 05239 02 OF 05 161815Z

STUDY OF THE PROJECTS IN HAND AND FUTURE PROJECTS. ALSO,
I THINK SECRETARY SIMON ALSO SUGGESTED, AND WE HAVE AGREED,
TO FIND WAYS AND MEANS FOR A SORT OF TECHNICAL COOPERATION
ON FEASIBILITY STUDIES OF PROJECTS. AND THAT'S WHY THERE
WAS A SUGGESTION TO ESTABLISH A PROJECT DEVELOPMENT
INSTITUTE. I THINK THIS IS ALSO ONE OF THE IMPORTANT
RESULTS OF THIS MEETING. AFTER THE

DISCUSSIONS WHICH TOOK

PLACE THIS MORNING WITH THE PRESS, I THINK THE MEETINGS WITH THE RESPONSIBLE MINISTERS HAVE SHOWN OUR FRIENDS HERE AT THE TABLE THAT WE ARE HERE TO IMPLEMENT THE WORDS WHICH ARE INCLUDED WORD BY WORD AND IN THE NEW ERA WHICH WE ARE LOOKING AFTER AT THE MOMENT BY THE POLICY OF LIBERALIZATION AND THE OPENING UP OF THE EGYPTIAN ECONOMY. WE ARE KEEN TO FACILITATE ALL PROCEDURES AND WE WILL TAKE MEASURES FOR ALL ACTIONS NECERSARY TO CUT BUREACRACY AND GIVE MORE FREEDOM AND FLEXIBILITY, NOT ONLY TO THE PRIVATE SECTOR BUT ALSO TO THE PUBLIC SECTOR, TO ACT DIRECTLY WITH SOME OF THE BUSINESS CIRCLES WHETHER INSIDE THE COUNTRY OR WITH INTERNATIONAL ORGANS. THAT IS WHY I THINK WE WILL BE READY TO ANSWER AND GIVE ANY DETAILS, IF YOU THINK YP STILL, AFTER THE FEW HOURS YOU HAVE SPENT WITH OUR MINISTERS, HAVE QUESTIONS. I AM QUITE SURE THIS FRAMEWORK, AFTER THE ORGANISM WHICH WE HAVE AGREED TO ESTABLISH TODAY, AND WITH THE WORKING GROUPS, WORKING SUBCOMMITTEES, MORE OR

LESS WHICH WILL TAKE PLACE

AS SOON AS POSSIBLE. ON OUR

SIDE IN EGYPT, WE WILL APPOINT ONE OF OUR

HIGHER OFFICIALS

TO HEAD THE COMMITTEE OF THIS SENIOR WORK GROUP. WE UNDER-

STOOD THAT MR. PARSKY IS BEING APPOINTED ON THE AMERICAN

SIDE AND THAT WILL GIVE US A CHANCE FOR PEOPLE TO HAVE

ENOUGH TIME, AMPLE TIME, WITH OUR

PEOPLE HERE IN EGYPT

AND WITH THE TECHNICIANS, THE

EXPERTS, ON THE OTHER SIDE,

I THINK THIS COMMITTEE WILL DEFINITELY ADD MUCH TO THE

SUCCESS OF THE OBJECTIVES ALREADY OUTLINED BY OUR TWO

PRESIDENTS. I THINK WE ARE READY TO EXPLAIN OR AT LEAST

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PAGE 03 CAIRO 05239 02 OF 05 161815Z

INTERPRET OR ADD ANYTHING WHICH YOU THINK FEASIBLE.

QUESTION - MR. HEGAZI, COULD YOU TELL US WHAT KIND OF APPLICATIONS FOR U.S. BANKS YOU APPROVED, WHETHER IT IS (GARBLED) MERCHANT BANKS (GARBLED)?

H - THE CHASE MANHATTAN IS ASKING FOR A BRANCH AND A JOINT VENTURE, WITH THE NATIONAL BANK OF EGYPT. THE FIRST CITY NATIONAL BANK OF NEW YORK IS A BRANCH SO FAR. AMERICAN EXPRESS ALSO A BRANCH. BANK OF AMERICA IS A JOINT VENTURE WITH BANK MISR. WHAT WE HAVE ACCEPTED TODAY IS JUST TO GIVE THEM THE FINAL PERMITS FOR THE BRANCHES. FOR THE TWO BANKS - WHICH ARE GETTING INTO JOINT VENTURES I THINK A STUDY HAS TO BE COMPLETED BY OUR BANKS. YOU KNOW

WE HAVE TO APPLY THE CAPITAL AND THIS IS GOING TO BE IMPLEMENTED AS I SAID IN THE FREE ZONE OR IN HARD CURRENCY. BECAUSE THE SECOND STEP, WHICH IS IN THE LOCAL MARKET, I THINK WE HAVE TO SET A POLICY FOR THAT. WE WILL START FIRST WITH THE FOREIGN ACTIVITIES AND SECONDLY WILL GET INTO THE JOINT VENTURES FOR THE LOCAL MARKET. I THINK I GAVE YOU THIS YESTERDAY.

Q - WILL THERE BE BRANCHES ONLY IN THE FREE ZONE?

H - NOT NECESSARILY.

Q - BUT THE JOINT VENTURES ARE LIKELY TO BE IN THE FREE ZONE?

H - JOINT VENTURES FOR HARD CURRENCY NO; BECAUSE THE INVESTMENT LAW HAS GIVEN US THE CHANCE NOW TO ACCEPT ANY FOREIGN ACTIVITY IN ANY PART OF THE COUNTRY. BUT WE HAVE OF COURSE TO DECIDE WHERE: IN CAIRO, IN ALEXANDRIA, IN SUEZ, ISMAILIA OR PORT SAID. WE HAVE TO FIX THE REGION OR THE FIELD OF ACTIVITY, YOU KNOW.

S - IN ADDITION, IF YOU'LL EXCUSE ME, MR. PRIME MINISTER, I THINK IT IS IMPORTANT TO EMPHASIZE THE IMPORTANCE OF THIS NEW INVESTMENT LAW AND ITS IMPACT ON ATTRACTING INVESTMENT TO THIS COUNTRY. NOW I KNOW THAT THIS WAS UNCLASSIFIED

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PAGE 04 CAIRO 05239 02 OF 05 161815Z

EXPLAINED TO ALL OF YOU THIS MORNING, AND I HOPE IN GREAT DETAIL; I AM SURE YOU ASKED A GREAT DEAL OF QUESTIONS. ALSO, WHAT'S IMPORTANT, WHICH I NEGLECTED TO MENTION, IS THE COMMENCEMENT OF WORK ON A TAX TREATY THAT WILL OBTAIN DOUBLE TAXATION IN OUR COUNTRY, CERTAINLY THE REMOVAL OF AN IMPEDIMENT ON INVESTMENT.

Q - MR. PRIME MINISTER, UNDER THE AGREEMENTS YOU HAVE SIGNED, ARE THERE GUARANTEES AGAINST EXPROPRIATION OF U.S. INVESTMENTS IN THE FUTURE?

H - YES.

Q - ARE YOU SAYING, SIR, THAT EGYPT WILL NOT NATIONALIZE AMERICAN FIRMS IN THE FUTURE?

H - WELL, I THINK ACCORDING TO THE INVESTMENT LAW WHICH HAS BEEN ISSUED, THIS IS MENTIONED IN BROADER TERMS THAT NO SEQUESTRATION - OF COURSE I MEAN ANY COUNTRY HAS, ACCORDING TO ITS SOVEREIGNTY, THAT POWER, BUT ACCORDING TO THE INVESTMENT LAW, THIS HAS BEEN CLEARLY STATED.

S - THAT'S THE IMPORTANT POINT. IT'S IN THE NEW INVESTMENT LAW -- THE SPECIFICS ON NATIONALIZATION. THE INVESTMENT AGREEMENT JUST CLEARS THE WAY, AS I EXPLAINED YESTERDAY, LEGALLY, SPECIFICALLY IT DOES NOT DEAL WITH EXPROPRIATION.

H - I SHOULD LIKE TO ADD ONE THING PROBABLY NOT MENTIONED IN OUR MEETING, BECAUSE THIS IS RATHER A BILATERAL DISCUSSION,

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PAGE 01 CAIRO 05239 03 OF 05 161928Z

50

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7800

USIA WASHDC NIACT IMMEDIATE

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INFO AMEMBASSY BEIRUT

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UNCLAS SECTION 3 OF 5 CAIRO 5239

FOR SEC TREASURY: PASS TO ALAN WADE

BUT WE HAVE ALSO AN AGREEMENT IN THE ARAB LEAGUE THAT ANY ARAB COUNTRY THAT CALLS FOR ANY SORT OF ACTIVITY, WHETHER INDUSTRIAL OR AGRICULTURAL, BANKING OR WHATEVER

IT IS FOR FOREIGN CAPITAL, ONCE THE COUNTRY IS ASKING FOR THAT INVESTMENT, WELL, THIS INVESTMENT IS NOT SUBJECTED TO ANY ACTS OF NATIONALIZATION OR SEQUESTRATION OR OTHERWISE.

Q - GENTELMEN YOU MENTIONED THE PROJECT DEVELOPMENT INSTITUTE, WHERE WILL THIS BE ESTABLISHED AND WHO WILL BE STAFFING IT?

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PAGE 02 CAIRO 05239 03 OF 05 161928Z

H - I THINK IT WILL BE IN CAIRO -- THE DETAILS OF WHICH WILL BE DISCUSSED BETWEEN BOTH OF US. IT MAY BE A SEPARATE CENTER OR IT MAY BE ONE CENTER IN ONE OF THE MAIN INSTITUTES WE HAVE HERE.

S - ONE OF THE MECHANISMS IN ATTRACTING INVESTMENT TO A COUNTRY IS TO HAVE A BODY THAT IS RESPONSIBLE FOR THE PLANNING AND FEASIBILITY STUDIES AND MAKING KNOWN THE SPECIFICS OF THE REQUIREMENTS IN THE COUNTRY AND THE DESIRE ON PART OF THE COUNTRY TO ATTRACT INVESTMENT; NOW, THIS IS AN AREA IN WHICH A PROJECT DEVELOPMENT INSTITUTE WOULD BE EXTREMELY HELPFUL, MOST PARTICULARLY IN THE AREA OF FEASIBILITY. BECAUSE INDUSTRIES WORLD WIDE, WANT TO KNOW MANY ECONOMIC ANSWERS BEFORE THEY ARE GOING TO INVEST THEIR MONEY IN A FOREIGN COUNTRYTHE CONSUMER, THE POTENTIAL PROFIT, CAN A PRODUCT BE SOLD, EXPORTED, ALL THE MARKETING AND INDUSTRIAL AND ABILITY TO MANUFACTURE QUESTIONS THAT GO ALONG WITH ANY SIZE OF INVESTMENT.

Q - WILL THERE BE ANY RESTRICTION ON REPATRIATION OF PROFITS?

H - I THINK THIS HAS BEEN EXPLAINED. ALSO THIS IS VERY CLEAR IN THE INVESTMENT LAW AND THE REGULATIONS ALREADY PUT INTO EFFECT BY THE AUTHORITY FOR FOREIGN INVESTMENT. AND THAT REALLY DEPENDS ON A NUMBER OF FACTORS IN WHICH WE TAKE CARE INTO MAKING THE FEASIBILITY STUDIES ON THE ACCEPTANCE OF FOREIGN CAPITAL IN THIS COUNTRY. ONCE THE FOREIGN COMPONENT HAS BEEN ACHIEVED BY THE INVESTOR, THERE IS NO RESTRICTION WHATSOEVER. NUMBER TWO, ANY ADDITIONS BY THE FOREIGN INVESTORS TO THE LOCAL REQUIREMENTS FOR THAT WHICH IS BEING FINANCED ALSO THIS COULD BE ALLOWED, THERE ARE NO RESTRICTIONS.

Q - MR. PRIME MINISTER, AS YOU KNOW THE NIXON ADMINISTRATION ASKED FOR \$250 MILLION IN ECONOMIC AID FOR EGYPT OVER THE NEXT FISCAL YEAR. HAVE YOU SUGGESTED TO SEC. SIMON THAT THE AMOUNT MIGHT BE HIGHER?

H - WELL I HAVE ALWAYS BEEN SAYING, AND I THINK THIS IS A GOOD OPPORTUNITY, I WOULD SAY IF THE AMERICAN CONGRESS GIVES

\$2.2 BILLION TO ISRAEL FOR ARMAMENTS, I THINK \$2.2 IS THE
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PAGE 03 CAIRO 05239 03 OF 05 161928Z

MINIMUM FOR "PROGRESS AND PEACE", USING THE WORDS OF
PRESIDENT NIXON. WE ARE CALLING FOR A \$2.2 BILLION AS A
MINIMUM. I AM SORRY FOR THAT (TO SEC. SIMON).(LAUGHTER)

S - PLEASE (TO NEWSMEN) WOULD YOU DO ME JUST ONE FAVOR AND
DON'T TEAR UP EVERYTHING ELSE YOU HAVE WRITTEN DOWN BECAUSE
I KNOW NOW WHAT YOUR HEADLINES WILL BE. (LAUGHTER)

Q - MR. PRIME MINISTER. DID YOU SPECIFICALLY SUGGEST THAT
FIGURE TO SEC. SIMON?

H - I HAVE NO SUGGESTIONS, BECAUSE I DON'T THINK I AM IN A
POSITION TO ASK FOR FIGURES. THE U.S. AND THE CONGRESS
AND MR. SIMON AND EVERYBODY KNOW THAT THE SUEZ CANAL ZONE
IS AN IMPORTANT AREA AND A STRATEGIC AREA AND THE CONSTRUCTION
TAKING PLACE IN THAT AREA NEEDS A LOT OF MONEY WHICH IS
IN BILLIONS NOT IN MILLIONS. SUEZ CANAL BY ITSELF, THE
REOPENING AND THE WIDENING OF THE CANAL IS FOR THE SAKE OF
PEACE AND PROGRESS OF THE WHOLE WORLD, EITHER BY AID OR
BY SOFT LOAN. I THINK THE WORLD SHOULD SHARE IN THAT.

Q - MR. SECRETARY DO YOU HAVE ANY RESPONSE TO THAT?

S - WELL WE BELIEVE THAT THESE PRELIMINARY TALKS ARE
EXTREMELY IMPORTANT, EXTREMELY USEFUL IN UNDERSTANDING THE
PROBLEMS. BUT MORE IMPORTANTLY TO LEARN THE MAGNITUDE OF
THE PROBLEMS IN THIS COUNTRY. WE WILL GO BACK WITH GREATER
KNOWLEDGE AND A GREATER DESIRE TO GET INTO THE DEFINITIVES
AND SPECIFICS IN THE WORKING GROUPS TO SET ABOUT THE RESTRUC-
TURING AND ASSISTING IN STRENGTHENING THE ECONOMY OF EGYPT
EVERY WAY THAT WE CAN. AS FAR AS THE SPECIFICS AND DOLLAR
AMOUNTS -- WHICH GETS TO YOUR QUESTION, I PRESUME, AS YOU
KNOW, FROM AMERICA, THE LEGISLATION AND APPROPRIATION
PROCESS. WE HAVE ASKED CONGRESS FOR THE \$250 MILLION
AND THE ADDITIONAL PL-480. WE ARE GOING TO ASSURE EGYPT
THAT THE HIGHEST PRIORITY IN THIS PROGRAM AS WELL AS IN
THE OTHER INTERNATIONAL FINANCE INSTITUTIONS AND THAT IS
WHAT WE ARE PREPARED TO EXTEND AT THIS TIME.

Q - MR. PRIME MINISTER, IN DISCUSSING LIBERALIZATION IN
THE EGYPTIAN ECONOMY, DID YOU DISCUSS AT ALL THE ENDING
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PAGE 04 CAIRO 05239 03 OF 05 161928Z

OF SUBSIDIES ON CONSUMER GOODS? AND IF SO, DID YOU MAKE ANY COMMITMENTS?

H - I THINK THIS IS INTERNAL POLICY, EXCUSE ME IF I SAY THAT. THIS IS POLICY WHICH HAS BEEN IMPLEMENTED SO LONG AND I THINK THIS IS A GENERAL SUBJECT WHICH WE HAVE TO LOOK INTO IN THE FUTURE. BUT AS A SOCIALIST MEASURE, WE RE NOT READY TO CHECK THAT AT THIS MOMENT. THIS IS AN IMPORTANT PART OF OUR MECHANISM, WHICH I THINK KEPT INFLATIONDOWN AND HELPED THIS COUNTRY THROUGH ALL ITS DIFFICULTIES DURING THE LAST SIX OR SEVEN YEARS. BUT ONE POINT IS IMPORTANT. THAT IS THE WHEAT AND THE REQUIREMENTS OF PL-480. YOU REMEMBER THE SITUATION IN '66. SO WE ARE LOOKING FORWARD TO PL-480 AS ONE OF THE IMPORTANT PARTS OF OUR FUTURE DISCUSSIONS AND I AM SURE THIS WILL BE TAKEN INTO CONSIDERATION.

Q - MR. PRIME MINISTER, ON THE SUBJECT OF WHEAT, DID YOU SUGGEST TO SEC. SIMON HOW MUCH WHEAT EGYPT MIGHT HAVE NEXT YEAR? AND WHAT WAS HIS RESPONSE? WAS IT SATISFACTORY TO YOU? WILL YOU GET AS MUCH WHEAT AS YOU WANT?

UNCLASSIFIED

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UNCLASSIFIED

PAGE 01 CAIRO 05239 04 OF 05 161923Z

47

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7801

USIA WAHDC NIACT IMMEDIATE

SEC TREASURY WASHDC NIACT IMMEDIATE

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA
AMEMBASSY KUWAIT
CIQMAD/AMEMBASSY TEL AVIV 3961
AMCONSUL JERUSALEM

UNCLAS SECTION 4 OF 5 CAIRO 5239

FOR SEC TREASURY: PASS TO ALAN WADE

H - WELL I AM QUITE SATISFIED WITH THE DISCUSSIONS IN VARIOUS FIELDS WHETHER IT IS WITH PL-480 OR IN OTHER FIELDS. WE HAVE DISCUSSED DETAILS ABOUT COMMODITIES ABOUT INVESTMENTS AND EVERYTHING. IT'S BEING DONE IN BLACK AND WHITE IN A VERY FRANK DISCUSSION BECAUSE I THINK IT IS SO IMPORTANT FOR US TO THINK OF THE DIFFICULTIES WE HAVE AND THEN IT IS FOR THE AMERICAN SIDE TO DECIDE.

Q - WAS THERE ANY COMMITMENTS MADE TO EACH OTHER?

H - THE FIRST PRIORITY FOR EGYPT WOULD BE IN TAKING A
UNCLASSIFIED

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PAGE 02 CAIRO 05239 04 OF 05 161923Z

DECISION SO FAR AS PL-480 IS CONCERNED.

S - MY POINT ON PL-480 OF COURSE IS THAT WE ARE SETTING OUR PRIORITIES RIGHT NOW BACK IN THE U.S. MOST IMPORTANTLY, WE HAVE TO KNOW WHAT OUR HARVEST WILL BE. WE'VE HAD FORECASTS ALL YEAR. YOU KNOW HOW PRECARIOUS FORECASTS CAN BE, BECAUSE THE WEATHER IS INVOLVED AND YOU KNOW HOW LITTLE CONTROL WE HAVE OVER THAT LIKE SO MANY OTHER THINGS. THE ORIGINAL FORECAST APPEARS TO BE A LITTLE BIT HIGHER THAN THE RECENT FORECAST BECAUSE OF SOME POOR WEATHER. IT IS EXPECTED THAT OUR CROP WILL BE ABOUT 7 PERCENT BELOW WHAT OUR ORIGINAL FORECAST WOULD BE BUT STILL ABOUT 8 TO 10 PERCENT ABOVE A YEAR AGO WHICH WILL PRODUCE A RECORD CROP. BUT THIS IS STILL TENTATIVE AT THIS POINT.

Q - MR. PRIME MINISTER HAS THERE BEEN WHAT YOU MIGHT CALL "MARKING OF TIME" PENDING PROGRESS IN THE GENEVA PEACE NEGOTIATIONS?

H - I DON'T THINK MUCH COOPERATION IS TIED TO GENEVA BECAUSE THIS IS I THINK INSTEAD THE PROSPECT OF BUILDING UP COOPERATION BETWEEN EGYPT AND THE U.S. AS A POLICY.

Q - DO YOU FORSEE ANY POSSIBLE DEVELOPMENTS IN THE MIDDLE EAST WHICH WOULD NEGATE THE PROGRESS YOU HAVE MADE THIS

WEEK?

H - WELL THAT DEPENDS ON THE STEPS TO BE TAKEN IN GENEVA.

Q - IT DOES NOT DEPEND ON ANY ACTIONS BY ISRAEL? I AM THINKING OF POSSIBLE EVENTS WHICH MIGHT OCCUR IN THE FUTURE WHICH IN THEMSELVES MIGHT NEGATE THE OBVIOUS PROGRESS YOU HAVE MADE THIS WEEK.

H - I HOPE NOT.

Q - MR. PRIME MINISTER, THERE SEEMS TO BE SOME CONFUSION AS TO WHETHER YOU'VE ASKED FOR ANY RESCHEDULING OF THE UNCLASSIFIED

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PAGE 03 CAIRO 05239 04 OF 05 161923Z

EGYPTIAN DEBT TO THE UNITED STATES DURING YOUR TALKS HERE IN THE LAST FEW DAYS. CAN YOU TELL US WHETHER YOU HAVE OR HAVE NOT?

H - I DON'T THINK THE DEBT FOR THE U.S. IS WORRYING EGYPT AS SUCH; SO WE HAVE DISCUSSED ALL DETAILS CONCERNING FIGURES ON ALL ACCOUNTS BETWEEN EGYPT AND THE U.S. A STUDY IS GOING TO BE DONE CONCERNING THE SETTLEMENT OF THE ARREARS AND THE FUTURE PROSPECTS.

Q - HAVE YOU WORKED OUT ANY TIMETABLE FOR THE JOINT COMMITTEE?

H - I THINK THE JOINT COMMITTEE WILL MEET FIRST IN AUGUST. I MAY HAVE THE OPPORTUNITY TO VISIT THE UNITED STATES BY THE END OF SEPTEMBER. THE IMF MEETING PROBABLY WILL HAVE SOMETHING IN DETAIL BY THIS TIME.

S - BUT IN THE INTERIM THE SENIOR WORKING GROUPS ARE GOING TO BE WORKING ON THE SPECIFICS OF ALL THE BROAD AREAS.

Q - WILL THE STUDY OF ARREARS BE CONFINED TO THE UNITED STATES OR WILL IT BE A STUDY OF EGYPT'S FOREIGN DEBTS IN GENERAL?

H - WE ARE TALKING NOW ABOUT THE UNITED STATES AND EGYPT ONLY. I THINK WE HAVE AN IDEA ABOUT HOW TO HANDLE IT IN THE FUTURE.

Q - IS THERE ANY POSSIBILITY OF RESCHEDULING THE DEBT?

H - THAT DEPENDS ON THE TIME WHEN WE COULD BRING THIS INTO

DISCUSSION. I THINK YOU WILL BE HEARING VERY SOON ABOUT THE
CREDIT-WORTHINESS OF EGYPT FROM SOME INTERNATIONAL BODIES
AND ALLOW ME TO SAY SOMETHING BECAUSE ALL THE QUESTIONS ARE
JUST GOING AROUND IN A VICIOUS CIRCLE. I WOULD LIKE TO
CLARIFY SOME OF THE POINTS. AFTER THE SIXTH OF OCTOBER WAR
WE FEEL VERY CONFIDENT ABOUT THE ECONOMIC POSITION OF EGYPT;
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PAGE 04 CAIRO 05239 04 OF 05 161923Z

PARTIALLY BECAUSE WE HAVE PASSED THROUGH SIX AND A HALF OR
SEVEN YEARS OF HARDSHIP WITH VERY LITTLE AID COMPARATIVELY
WITH WHAT IS BEING SPENT ON ARMAMENTS AND DEFENSE. YOU ALL
KNOW THAT ARAB AID TO EGYPT WAS 100 MILLION POUNDS PER ANNUM
AND WE HAVE SPENT OVER 5,000 MILLION POUNDS ON DEFENSE. BY ALL

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PAGE 01 CAIRO 05239 05 OF 05 161905Z

47

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 SSO-00

INRE-00 NSCE-00 AGR-20 CU-05 SCI-06 HEW-08 NEAE-00

AID-20 COME-00 EB-11 FRB-03 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DRC-01 IO-14 STR-08 CEA-02 SAM-01

SEC-03 IGA-02 ACDA-19 FEAE-00 INT-08 SAB-01 /238 W

----- 006325

O R 161700Z JUL 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7802

USIA WASHDC NIACT IMMEDIATE

SEC TREASURY WASHDC NIACT IMMEDIATE

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEL AVIV

AMCONSUL JERUSALEM

UNCLAS CAIRO SECTION 5 OF 5 CAIRO 5239

FOR SEC TREASURY: PASS TO ALAN WADE

MEASUREMENTS I THINK FOR WHAT YOU ARE ASKING THAT THE FOREIGN DEBT IS NOTHING COMPARED WITH WHAT WAS SPEND ON ARMAMENTS AND DEFENSE. FOR YOUR KNOWLEDGE, I WILL JUST ADD A FEW MORE STATEMENTS THAT DURING THE PERIOD OF SIX AND A HALF OR SEVEN YEARS INVESTMENTS WERE NOT POUR-ING INTO CONSUMABLE GOODS BY ANY MEANS. WE HAVE BEEN CONSTRUCTING HEAVY INDUSTRIES AND RECLAIMING LAND; SO THESE WERE TWO BIG BURDENS ON EGYPT DURING THE SEVEN YEARS. ALLOCATION FOR ARMAMENTS AND DEFENSE AND HEAVY INVESTMENT IN LONG TERM PROJECTS MEANS THE PROPLE OF EGYPT HAVE BEEN UNCLASSIFIED

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PAGE 02 CAIRO 05239 05 OF 05 161905Z

SACRIFICING QUITE A LOT IN CONSUMER GOODS AND SERVICES. THAT'S WHY IT IS OPPORTUNE AT THE MOMENT TO THINK OF THE FUTURE POSSIBILITIES FOR DEVELOPMENT IN EGYPT. THAT'S WHY WE ARE NOW DEVISING THE WHOLE PLAN FOR THE FUTURE GIVING PRIORITIES, FIELDS OF ACTIVITY THAT WILL ADD TO THE PRODUCTION OF COMMODITIES REQUIRED FOR THE MASSES. SECOND, WHICH IS VERY IMPORTANT, ALSO, IS THE PROBLEM OF FINANCES IT IS NOT WHAT IS WORRYING EGYPT AS SUCH, BUT IT IS A PRIORITY PROJECT FOR THE FUTURE FOR THE POTENTIALITIES OF EGYPT. PROBABLY MY COLLEAGUES IN THE CABINET HAVE EXPLAINED TO YOU THE POTENTIALITIES IN TOURISM, IN OIL EXPLORATIONS, IN MINING, IN AGRO-INDUSTRIAL DEVELOPMENT FOR EXPORT PURPOSES (AS WELL AS FOR LOCAL CONSUMPTION) FOR THE UTILIZATION OF THE IDEAL CAPACITIES OF OUR INDUSTRIAL AND OTHER FIELD OF ACTIVITIES. THIS WILL ADD STRAGHT TO THE REVENUES OF THIS COUNTRY. ALL THIS HAS PROVED THAT WE, I THINK, WILL STAND ON SOLID GROUND, SIDE BY SIDE WITH THIS, YOU KNOW THAT WE ARE EMBARKING ON A JOINT EFFORT WITH THE ARAB COUNTRIES FOR THE USE OF SURPLUSES FOR INVESTMENTS AND FORTUNATELY FOR RECONSTRUCTION. WE HAVE ALREADY HAD MANY APPLICATIONS. I'LL JUST QUOTE ONE EXAMPLE: IN THE TOURIST FIELD WE HAVE APPLICATONS FOR HOTELS AND OTHER THINGS AMOUNTING TO 90 MILLION TONS. WE HAVE A NUMBER OF APPLICATIONS FROM A NUMBER OF INDUSTRIAL CIRCLES AND OTHER INVESTORS, BOTH PRIVATE INDIVIDUALS AND OTHERWISE IN A NUMBER OF BRANCHES. THAT IS WHY I'M NOT WORRYING ABOUT THIS PROBLEM OF RE-SCHEDULING OF THE DEBT SERVICE, THE WAY YOU MAY HAVE IN MIND. I'M NOT AT THE MOMENT READY TO GIVE FIGURES, BUT THAT IS MY BELIEF. THIS COUNTRY HAS LIVED SEVEN YEARS AND GOT THROUGH. THAT IS WHY I SAY THAT THE FUTURE IS

BRIGHT. SIDE BY SIDE WITH THE RECENT PRICE AND ITS
EFFECT ON THE LOCAL ECONOMIC POSITION. THAT IS WHY WE
MANAGED TO KEEP OUR INFLATION AT A LOWER LEVEL. AT
LEAST THAT'S HOW THE ECONOMIC REPORTERS FROM OUTSIDE
CIRCLES, FOREIGN CIRCLES SAY.

Q - YOU KNOW THE SECRETARY IS ABOUT TO DEPART FOR
ISRAEL, CAN YOU GIVE HIM ANY SUGGESTIONS AS TO WHAT HE
MIGHT DISCUSS WITH THEM?

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PAGE 03 CAIRO 05239 05 OF 05 161905Z

H - WELL I THINK ISRAEL'S PROBLEMS ARE HER OWN PROBLEMS.
WE ALWAYS SAY WE ARE LOOKING FOR PEACE, THAT'S ALL.
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